

**Rensselaer Polytechnic Institute**

**Consolidated Financial Statements**

**For the Years Ended  
June 30, 2009 and 2008**

**Rensselaer Polytechnic Institute**  
**Consolidated Financial Statements**

**For the Years Ended  
June 30, 2009 and 2008**

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**Report of Independent Auditors**

To The Board of Trustees  
Rensselaer Polytechnic Institute

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of activities and cash flows present fairly, in all material respects, the financial position of Rensselaer Polytechnic Institute and its affiliates ("Rensselaer") at June 30, 2009 and June 30, 2008, and the change in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Rensselaer's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

*PricewaterhouseCoopers LLP*

September 23, 2009

**Rensselaer Polytechnic Institute**  
**Consolidated Statements of Financial Position**  
**At June 30, 2009 and June 30, 2008**  
(in thousands of dollars)

<i>Assets</i>	<i>2009</i>	<i>2008</i>
Cash and cash equivalents (Note B)	\$ 2,720	\$ 4,068
Accounts receivable, net (Note B)		
Student related and other	8,635	8,395
Research, training and other agreements (Note E)	27,886	21,832
Contributions receivable, net (Note D)	37,859	39,120
Contributions from external remainder trusts (Note H)	7,783	9,374
Inventories (Note B)	2,050	2,492
Prepaid expenses and other assets	7,443	8,297
Deposits with bond trustees (Note K)	2,138	77,106
Student loans receivable, net (Note B)	33,246	31,683
Investments, at market (Note H)	616,552	807,865
Land, buildings and equipment, net (Note J)	743,356	651,206
<b>Total assets</b>	<b>\$ 1,489,668</b>	<b>\$ 1,661,438</b>
<i>Liabilities</i>		
Accounts payable and accrued expenses	\$ 47,745	\$ 53,982
Short term borrowings (Note K)	16,010	-
Deferred revenue	20,752	20,625
Liability on interest rate swap agreements (Notes B and H))	50,684	32,413
Split interest agreement obligations (Note F)	7,599	10,431
Other liabilities	8,890	8,384
Pension liability (Note L)	89,069	43,470
Accrued postretirement benefits (Note L)	13,555	12,446
Refundable government loan funds	26,427	26,012
Capital Leases payable (Note M)	19,946	83
Long-term debt (Note K)	653,957	619,941
<b>Total liabilities</b>	<b>\$ 954,634</b>	<b>\$ 827,787</b>
<i>Net Assets</i>		
Unrestricted	187,664	467,904
Temporarily restricted	90,694	117,348
Permanently restricted	256,676	248,399
<b>Total net assets</b>	<b>535,034</b>	<b>833,651</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,489,668</b>	<b>\$ 1,661,438</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Rensselaer Polytechnic Institute**  
**Consolidated Statement of Activities**  
**For The Year Ended June 30, 2009, with comparative June 30, 2008 totals**  
(in thousands of dollars)

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total June 30, 2009</i>	<i>Total June 30, 2008</i>
<i>Operating Revenue:</i>					
Student related revenue:					
Student tuition and fees, net					
Undergraduate	\$ 106,028	\$ -	\$ -	\$ 106,028	\$ 94,242
Graduate	35,402			35,402	31,715
Education for working professionals	19,883			19,883	18,622
Fees	1,573			1,573	1,533
Auxiliary services	44,409			44,409	41,339
Student related revenue	<u>207,295</u>	<u>-</u>	<u>-</u>	<u>207,295</u>	<u>187,451</u>
Gifts	22,160	2,581		24,741	33,560
Grants and contracts:					
Direct:					
Federal	49,919			49,919	49,081
State	17,053			17,053	14,132
Private	7,089			7,089	5,418
Indirect	17,312			17,312	15,036
Grants and contracts	<u>91,373</u>	<u>-</u>	<u>-</u>	<u>91,373</u>	<u>83,667</u>
Investment return:					
Dividends and interest	7,393	813		8,206	12,585
Realized accumulated gains used to meet spending policy	19,555	2,559		22,114	18,585
Endowment spending for Rensselaer Plan initiatives	30,900			30,900	38,339
Interest on student loans	114			114	114
Investment return	<u>57,962</u>	<u>3,372</u>	<u>-</u>	<u>61,334</u>	<u>69,623</u>
Rensselaer Technology Park	4,698			4,698	4,248
Other	8,926	51		8,977	11,633
Net assets released from restrictions	15,586	(15,586)		-	-
Total operating revenue	<u>408,000</u>	<u>(9,582)</u>	<u>-</u>	<u>398,418</u>	<u>390,182</u>
<i>Operating Expense:</i>					
Instruction	135,565			135,565	131,395
Research:					
Sponsored	93,076			93,076	86,417
Unsponsored	13,719			13,719	15,897
Student services	13,032			13,032	12,853
Institutional and academic support	92,241			92,241	92,845
Externally funded scholarships and fellowships	15,526			15,526	13,702
Auxiliary services	27,935			27,935	26,179
Rensselaer Technology Park	3,623			3,623	3,861
Defined benefit pension and postretirement	9,662			9,662	12,587
Total operating expenses	<u>404,379</u>	<u>-</u>	<u>-</u>	<u>404,379</u>	<u>395,736</u>
Change in net assets from operating activities	<u>3,621</u>	<u>(9,582)</u>	<u>-</u>	<u>(5,961)</u>	<u>(5,554)</u>
<i>Non-operating:</i>					
Realized and unrealized gains (losses), net of spending policy	(205,834)	(14,841)	(219)	(220,894)	(70,367)
Realized and unrealized gains (losses), interest rate swaps	(25,788)			(25,788)	(23,239)
Adjustment for pension and postretirement benefits liability	(51,109)			(51,109)	(5,889)
Life income and endowment gifts		(5)	9,197	9,192	14,866
Loss on extinguishment of debt				-	(4,800)
Change in value of life income contracts		(2,226)	(701)	(2,927)	(874)
Gain (loss) on disposal of fixed assets	(1,130)			(1,130)	(813)
Change in net assets from non-operating activities	<u>(283,861)</u>	<u>(17,072)</u>	<u>8,277</u>	<u>(292,656)</u>	<u>(91,116)</u>
Change in net assets	<u>(280,240)</u>	<u>(26,654)</u>	<u>8,277</u>	<u>(298,617)</u>	<u>(96,670)</u>
Net assets at beginning of year	467,904	117,348	248,399	833,651	930,321
Net assets at end of year	<u>\$ 187,664</u>	<u>\$ 90,694</u>	<u>\$ 256,676</u>	<u>\$ 535,034</u>	<u>\$ 833,651</u>

The accompanying notes are an integral part of these consolidated financial statements.

**Rensselaer Polytechnic Institute**  
**Consolidated Statement of Activities**  
**For The Year Ended June 30, 2008**  
(in thousands of dollars)

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total June 30, 2008</i>
<i>Operating Revenue:</i>				
Student related revenue:				
Student tuition and fees, net				
Undergraduate	\$ 94,242	\$ -	\$ -	\$ 94,242
Graduate	42,945			42,945
Education for working professionals	7,392			7,392
Fees	1,533			1,533
Auxiliary services	41,339			41,339
Student related revenue	<u>187,451</u>	<u>-</u>	<u>-</u>	<u>187,451</u>
Gifts	21,639	11,921		33,560
Grants and contracts:				
Direct:				
Federal	49,081			49,081
State	14,132			14,132
Private	5,418			5,418
Indirect	15,036			15,036
Grants and contracts	<u>83,667</u>	<u>-</u>	<u>-</u>	<u>83,667</u>
Investment return:				
Dividends and interest	11,451	1,134		12,585
Realized accumulated gains used to meet spending policy	16,684	1,901		18,585
Endowment spending for Rensselaer Plan initiatives	38,339			38,339
Interest on student loans	114			114
Investment return	<u>66,588</u>	<u>3,035</u>	<u>-</u>	<u>69,623</u>
Rensselaer Technology Park	4,248			4,248
Other	11,557	76		11,633
Net assets released from restrictions	13,172	(13,172)		-
Total operating revenue	<u>388,322</u>	<u>1,860</u>	<u>-</u>	<u>390,182</u>
<i>Operating Expense:</i>				
Instruction	131,395			131,395
Research:				
Sponsored	86,417			86,417
Un-sponsored	15,897			15,897
Student services	12,853			12,853
Institutional and academic support	92,845			92,845
Externally funded scholarships and fellowships	13,702			13,702
Auxiliary services	26,179			26,179
Rensselaer Technology Park	3,861			3,861
Defined benefit pension and postretirement	12,587			12,587
Total operating expenses	<u>395,736</u>	<u>-</u>	<u>-</u>	<u>395,736</u>
Change in net assets from operating activities	<u>(7,414)</u>	<u>1,860</u>	<u>-</u>	<u>(5,554)</u>
<i>Non-operating:</i>				
Realized and unrealized gains (losses), net of spending policy	(69,098)	(1,812)	543	(70,367)
Realized and unrealized gains (losses), interest rate swaps	(23,239)			(23,239)
Adjustment for pension and postretirement benefits liability	(5,889)			(5,889)
Life income and endowment gifts		3,508	11,358	14,866
Loss on extinguishment of debt	(4,800)			(4,800)
Change in value of life income contracts		(744)	(130)	(874)
Gain (loss) on disposal of fixed assets	(813)			(813)
Change in net assets from non-operating activities	<u>(103,839)</u>	<u>952</u>	<u>11,771</u>	<u>(91,116)</u>
Change in net assets	(111,253)	2,812	11,771	(96,670)
Net assets at beginning of year	579,157	114,536	236,628	930,321
Net assets at end of year	<u>\$ 467,904</u>	<u>\$ 117,348</u>	<u>\$ 248,399</u>	<u>\$ 833,651</u>

The accompanying notes are an integral part of these consolidated financial statements.

**Rensselaer Polytechnic Institute**  
**Consolidated Statements of Cash Flows**  
**For the years ended June 30, 2009 and 2008**  
*(in thousands of dollars)*

	2009	2008
<b>Cash flow from operating activities:</b>		
Total change in net assets	\$ (298,617)	\$ (96,670)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	34,054	29,015
Accretion expense	380	336
Loss on disposal of assets	1,130	813
Uncollectible contributions writeoff	545	2,045
Loan forgiveness	-	(3,660)
Loss on extinguishment of debt	-	4,800
Provision for uncollectible accounts and loans	37	(184)
Realized and unrealized (gains) losses on investments	167,879	13,443
Unrealized loss on interest rate swap	18,271	20,481
Contributions of equipment and other capital items	(184)	(112)
Receipt of contributed securities	(2,987)	(3,429)
Contribution restricted for long term investment	(9,192)	(14,866)
Change in value from external trusts	1,591	(3,282)
Changes in operating assets and liabilities:		
Accounts receivable	(6,474)	(1,972)
Contributions receivable	716	(7,616)
Inventories	442	(27)
Prepaid expense and other assets	657	(22)
Accounts payable and accrued expenses	668	(1,051)
Change in pension liability	45,599	(1,628)
Present value of split interest agreements, net of terminations	(2,832)	(2,312)
Deferred revenue	633	6,932
Accrued postretirement benefits	1,109	(1,244)
<b>Net cash used in operating activities</b>	<b>(46,575)</b>	<b>(60,210)</b>
<b>Cash flow from investing activities:</b>		
Proceeds from sale of investments	199,335	217,314
Purchase of investments	(172,914)	(199,810)
Additional student loans granted	(5,619)	(8,162)
Student loans paid	4,199	4,006
Deposit with bond trustees	74,968	(55,176)
Proceeds from sale of land, building, and equipment	827	75
Purchase of land, building, equipment	(112,267)	(98,375)
<b>Net cash used in investing activities</b>	<b>(11,471)</b>	<b>(140,128)</b>
<b>Cash flow from financing activities:</b>		
Contributions restricted for endowments	9,192	14,866
Payment of annuity obligations	(1,301)	(1,434)
Proceeds from issuance of bonds	-	141,795
Proceeds from loans/line of credit	261,293	241,065
Repayment of debt/line of credit	(212,901)	(199,017)
Deferred financing costs	-	(805)
Government loan funds	415	326
<b>Net cash provided by financing activities</b>	<b>56,698</b>	<b>196,796</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,348)</b>	<b>(3,542)</b>
Cash and cash equivalents at beginning of the year	4,068	7,610
<b>Cash and cash equivalents at end of year</b>	<b>\$ 2,720</b>	<b>\$ 4,068</b>
<i>Non cash investing activities</i>		
Gifts of equipment and other capital items	\$ 184	\$ 112
Contributed securities	2,987	3,429
Seller financed debt	1,598	-
Capital Leases	19,899	-
(Decrease) increase of capital assets included in accounts payable	(5,984)	5,522
<i>Supplemental disclosures of cash flow information</i>		
Cash paid during the year for interest	\$ 18,780	\$ 21,389

The accompanying notes are an integral part of these consolidated financial statements.

# **Rensselaer Polytechnic Institute**

## **Notes to the Consolidated Financial Statements**

### **For the Years Ended June 30, 2009 and June 30, 2008**

#### **Note A- Organization**

Rensselaer Polytechnic Institute (Rensselaer) is a nonsectarian, coeducational institution composed of five schools: Architecture, Engineering, Humanities and Social Sciences, Lally School of Management and Technology, and Science. More than 130 programs and 700 courses lead to bachelors', masters', and doctoral degrees in all five schools. Rensselaer Technology Park is a university related park for technology ventures seeking a unique environment focused on the interface between industry and education.

#### **Note B- Summary of Significant Accounting Policies**

##### *Basis of Consolidation*

The accompanying consolidated financial statements of Rensselaer have been prepared on the accrual basis and include Rensselaer Hartford Graduate Center, Inc. (Center). All significant inter-organizational accounts have been eliminated.

##### *Net Asset Classification*

Unrestricted Net Assets include all resources which are not subject to donor-imposed restrictions other than those which only obligate Rensselaer to utilize funds to further its educational mission.

Temporarily Restricted Net Assets carry specific, donor-imposed restrictions on the expenditure or other use of contributed funds. Temporary restrictions may expire either because of the passage of time or because certain actions are taken by Rensselaer which fulfill the restrictions.

Permanently Restricted Net Assets are those that are subject to donor-imposed restrictions which will never lapse, thus requiring that the funds be retained permanently.

Dividends, interest and net gains or losses on investments are reported as follows:

- i) as increases in permanently restricted net assets if the terms of the gift require that they be added to the principle of a permanent endowment fund.
- ii) as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the current use of the income or net gains.
- iii) as increases in unrestricted in all other cases.

Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as "net assets released from restrictions".

##### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### *Reclassifications*

It is the Institute's policy to reclassify, where appropriate, prior year financial statements to conform to the current year presentation.

##### *Tax Exempt Status*

Rensselaer and Rensselaer Hartford Graduate Center, Inc are tax exempt 501(c) (3) Corporations under the Internal Revenue Service Code.

Effective July 1, 2008, Rensselaer adopted the FASB Interpretation No. 48 ("FIN48"), *Accounting for Uncertainty in Income Taxes*-an interpretation of SFAS No. 109, *Accounting for Income Taxes*. The adoption did not have a material effect on the financial statements.



**Rensselaer Polytechnic Institute**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended June 30, 2009 and June 30, 2008**

**Note B- Summary of Significant Accounting Policies, (continued)**

*Contributions*

Unconditional contributions are recognized as contributions receivable at their estimated net present value when pledged. Temporarily restricted net assets are reclassified to unrestricted net assets when an expense is incurred that satisfies the donor-imposed restriction. Expenses are generally reported as decreases in unrestricted net assets. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

*Recently Issued Accounting Pronouncements*

In February 2007, the FASB issued Statement of Financial Accounting Standard No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). The standard permits entities to choose to measure many financial instruments and certain other items at fair value. Rensselaer elected not to adopt the provisions of this statement.

*Non-Operating Activities*

Rensselaer considers the change in net assets from operating activities on the consolidated statement of activities to be its operating indicator. Non-operating activities include realized and unrealized gains or losses on investments not used to support operations, realized and unrealized gains or losses on interest rate swap agreements, changes in the value of split interest agreements, loss on extinguishment of debt, adjustment for pension and postretirement benefits liability, life income and endowment gifts and loss on disposal of fixed assets.

*Cash and Cash Equivalents*

Cash and cash equivalents include all highly liquid debt instruments with maturity of three months or less when purchased.

*Accounts and Notes Receivable*

Accounts and notes receivable arising from tuition fees, Rensselaer Technology Park activity and amounts owed on research contracts are carried net of an allowance for doubtful accounts as follows (in thousands):

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Student-related receivables	\$ 849	\$ 765
Loans to students	1,464	1,607
Other	14	14
Rensselaer Technology Park	36	36
Research, training and other agreements	<u>305</u>	<u>212</u>
Total allowances for doubtful accounts	<u>\$2,668</u>	<u>\$2,634</u>

It is not practicable to determine the fair value of student loan receivables because they are primarily federally sponsored student loans with U.S. government mandated interest rates and repayment terms and subject to significant restrictions as to their transfer or disposition.

*Inventories*

Inventories consist mainly of bookstore and computer store goods and maintenance supplies and are stated at the lower of cost or current market value, based upon the first-in, first-out method.

*Investments*

Purchase and sale transactions are recorded on a trade date basis. Realized gains and losses are recognized on an average cost basis when securities are sold.

Net appreciation (depreciation) in the fair value of investments, which consists of the realized gains on losses and the unrealized appreciation or depreciation on those investments, is recognized in the Statement of Activities.

**Rensselaer Polytechnic Institute**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended June 30, 2009 and June 30, 2008**

**Note B- Summary of Significant Accounting Policies, (continued)**

*Land, Buildings and Equipment*

Land, buildings and equipment are carried at cost or at the fair market value at the date of the gift. Depreciation is computed on a straight-line basis over the estimated useful lives of buildings (50 years) and equipment (3-20 years). All gifts of land, buildings and equipment are recorded as unrestricted operating activity unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the donor restrictions are reported as being released when the donated or acquired long-lived assets are placed in service. Gifts of land, buildings and equipment with explicit donor stipulations specifying how the assets must be used or how long the assets must be maintained are recorded as temporarily restricted operating activity and reported as being released over the period of time required and be maintained as the assets are used for its specified purpose.

*Interest Rate Swap Agreements*

Rensselaer has entered into various interest rate swap agreements in order to convert variable rate debt to a fixed rate, thereby economically hedging against changes in the cash flow requirements of Rensselaer's variable rate debt obligations. Rensselaer has also entered into an interest rate swap to convert fixed rate debt to variable rate, thereby economically hedging against changes in the fair value of the debt. Accordingly, the interest rate swap contracts are reflected at fair value in Rensselaer's combined statements of financial position and the related portions of the debt being hedged are reflected at an amount equal to their carrying value.

Net payments or receipts under the swap agreements along with the change in fair value of the swaps are recorded in non-operating activities as realized and unrealized gains or losses on interest rate swap agreements.

**Note C- Tuition Revenue**

The undergraduate student discount rate was 43.9% and 44.1% for the years ended June 30, 2009 and 2008, respectively.

Student tuition by segment and location is as follows (in thousands):

	<u>2009</u>	<u>2008</u>
Undergraduate tuition:		
Troy Campus	\$189,075	\$168,617
Less institutional aid	<u>(83,047)</u>	<u>(74,375)</u>
Total undergraduate tuition	<u>\$106,028</u>	<u>\$ 94,242</u>
Graduate tuition:		
Troy Campus	<u>\$ 35,402</u>	<u>\$ 31,715</u>
Total graduate tuition	<u>\$ 35,402</u>	<u>\$ 31,715</u>
Education for working professionals:		
Troy Campus	\$ 6,506	\$ 6,515
Hartford Campus	<u>13,377</u>	<u>12,107</u>
Total education for working professionals	<u>\$ 19,883</u>	<u>\$ 18,622</u>

**Rensselaer Polytechnic Institute**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended June 30, 2009 and June 30, 2008**

**Note D- Contributions Receivable**

Contributions receivable are expected to be collected as follows at June 30 (in thousands):

	<u>2009</u>	<u>2008</u>
In one year or less	\$ 3,875	\$ 1,620
Between one year and three years	18,593	17,014
Greater than three years	22,368	29,358
Less:		
Present value discount (0.56 – 5.14%)	(6,172)	(8,062)
Allowance for uncollectible pledges	<u>(805)</u>	<u>(810)</u>
Total contributions receivable	<u>\$37,859</u>	<u>\$39,120</u>

Conditional pledges, which are not accrued, approximate \$6,986,000 at June 30, 2009, of which \$320,000 was unrestricted as to purpose. The remaining conditional pledges are restricted to purpose as follows: \$4,840,000 current programs; \$1,678,000 endowment; and \$148,000 plant. Bequest expectancies totaling \$100,280,000 have been excluded from these amounts and are not recorded in the financial statements. In compliance with donor stipulations related to a \$360,000,000 transformational gift, income is being recognized as periodic cash payments are received.

**Note E- Research Grants and Contracts**

Rensselaer has been awarded approximately \$76,594,000 and \$84,014,000 of grants and contracts which have not been advanced or expended as of June 30, 2009 and 2008, respectively, and accordingly, are not recorded in the financial statements.

**Note F- Split Interest Agreements**

Split interest gift agreements consist primarily of irrevocable charitable remainder trusts, pooled income funds and charitable gift annuities for which Rensselaer is the remainder beneficiary. Assets held in these trusts are included in investments and recorded at their fair value when received. The value of split interest assets included in the investments at June 30, 2009 and 2008 were \$22,837,000 and \$29,349,000, respectively. Contribution revenues are recognized at the dates the trusts are established net of the liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted during the term of the agreements for changes in the value of the assets, accretion of the discount and other changes in the estimates of future benefits. Discount rates range from 2.8% to 10.6%. The liability for the present value of deferred gifts of \$7,599,000 and \$10,431,000 at June 30, 2009 and 2008, respectively, is based upon actuarial estimates and assumptions regarding the duration of the agreements and the rates to discount the liability. Circumstances affecting these assumptions can change the estimate of this liability in future periods.

Rensselaer is also beneficiary of certain perpetual trusts held and administered by others. The present values of the estimated future cash receipts from the trusts are recognized as contributions from external trusts and contribution revenue at the date Rensselaer is notified of the establishment of the trust. Distributions from the trusts are recorded as investment income in the period they are received. Changes in fair value of the trusts are recorded as non-operating gains or losses in temporarily or permanently restricted net assets.

**Rensselaer Polytechnic Institute**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended June 30, 2009 and June 30, 2008**

**Note G- Natural Expense Classification**

The following table compares expenses by type for the years ended June 30, 2009 and 2008, respectively (in thousands):

	<u>2009</u>	<u>2008</u>
Salaries and wages	\$154,674	\$149,589
Employee benefits excluding retirement	29,200	30,431
Retirement plan expense	<u>15,495</u>	<u>17,736</u>
Subtotal employee benefits	<u>44,695</u>	<u>48,167</u>
Total compensation	<u>\$199,369</u>	<u>\$197,756</u>
Supplies & services	73,284	73,867
Utilities	14,505	14,497
Employee travel	6,830	7,799
Taxes & insurance	8,267	6,522
Telecommunications	288	450
Library materials	2,328	2,194
Interest on debt	18,089	21,004
Depreciation and amortization	34,054	29,015
Student aid and fellowships	42,191	38,523
Operating lease agreements	4,559	3,414
Provision for uncollectible accounts	<u>615</u>	<u>695</u>
Total non salary	<u>204,854</u>	<u>197,980</u>
Total expenses	<u>\$404,379</u>	<u>\$395,736</u>

**Note H- Investments**

The carrying value and cost of investments at June 30 is as follows (in thousands):

	<u>2009</u>		<u>2008</u>	
	Carrying Value	Cost	Carrying Value	Cost
Short-term investments	\$ 25,833	\$ 25,799	\$ 15,423	\$ 15,419
Bonds and notes	136,369	147,220	129,279	122,532
Domestic equity securities	66,200	84,868	144,968	132,879
Foreign equity securities	59,344	55,167	113,503	82,859
Real estate	110,022	132,447	112,335	101,545
Marketable alternatives	65,781	64,143	149,985	120,374
Private equity partnerships	<u>153,003</u>	<u>185,696</u>	<u>142,372</u>	<u>160,242</u>
Total investments	<u>\$616,552</u>	<u>\$695,340</u>	<u>\$807,865</u>	<u>\$735,850</u>

Approximately \$59,364,000 of the investment portfolio at June 30, 2009 is invested in international securities that are subject to the additional risk of currency fluctuation.

At June 30, 2009, Rensselaer has committed to investing an additional \$242.7 million in various equity and real asset partnerships.

*Spending from Endowment Funds*

Rensselaer has adopted a "total return" policy for endowment spending. This approach considers current yield (primarily interest and dividends) as well as the net appreciation in the market value of investments when determining a spending amount. Under this policy, the Board of Trustees establishes a spending rate which is then applied to the average market value of investments. Current yield is recorded as revenue and the difference between current yield and the spending rate produces the use of realized gains spent under the total return formula.

**Rensselaer Polytechnic Institute**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended June 30, 2009 and June 30, 2008**

**Note H- Investments, (continued)**

*Dividends, Interest and Realized and Unrealized Gains and Losses*

Total dividends, interest and realized and unrealized gains (reflected as both operating and non-operating activity) are as follows (in thousands):

	<u>2009</u>	<u>2008</u>
Dividends and interest available for spending	\$ 8,206	\$ 12,585
Realized gains (loss)	(16,673)	45,817
Unrealized gains (loss)	<u>(151,206)</u>	<u>(59,260)</u>
Net return	<u>(159,673)</u>	<u>( 858)</u>

Investment management fees were \$1,525,000 and \$2,028,000 in 2009 and 2008, respectively, and are netted against realized and unrealized gains.

In May 2000 Rensselaer’s Board of Trustees approved the Rensselaer Plan, a strategic roadmap to achieving greater prominence in the 21<sup>st</sup> century as a top-tier world-class technological research university with global reach and global impact. The Board also committed to endowment withdrawals in excess of Rensselaer’s spending formula, as necessary, to fund investment in Plan initiatives. To date, \$293.7 million has been spent or committed for such initiatives, exclusive of capital expenditures. In fiscal year 2005, an initial withdrawal from quasi-endowment of \$20 million was recognized and displayed in the Statement of Activities as “endowment spending for Rensselaer Plan initiatives.” For fiscal years 2006, 2007, 2008 and 2009, the amount reflected as “endowment spending for Rensselaer Plan initiatives” equals \$34 million, \$35.5 million and \$38.3 million and \$30.9, respectively. These amounts reflect Board approved commitments against the endowment with the residual being funded from operations.

*Derivative Financial Instruments*

Investments include derivative financial instruments that have been acquired to reduce overall portfolio risk by hedging exposure to certain assets held in the portfolio. At June 30, 2009, there were approximately \$45,000 of open or unsettled forward exchange contracts to sell foreign currency and \$45,000 of open or unsettled forward exchange contracts to purchase foreign currency. These contracts are denominated in two North American and European currencies and will settle at various dates through July, 2009. The impact on the combined statement of activities is not significant.

Forward contracts are marked to market monthly. The market and credit risks related to these derivative investments are not materially different from the risks associated with similar underlying assets in the portfolio. These derivative financial instruments are recorded at estimated fair value in investments.

*Fair Value Measurement*

Effective July 1, 2008, Rensselaer adopted Statement of Financial Accounting Standards No. 157, “Fair Value Measurements” (“SFAS 157”). SFAS 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. The new standard provides a consistent definition of fair value focusing on an exit price which is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

SFAS 157 establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value under SFAS 157 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

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**Note H- Investments, (continued)**

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by Rensselaer for financial instruments measured at fair value on a recurring basis. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of inputs are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities. Market price data is generally obtained from exchange or dealer markets.
- Level 2 - inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities. Inputs are obtained from various sources including market participants, dealers, and brokers.
- Level 3 - Pricing inputs are unobservable and include situations where there is little, if any, market activity for the investment.

The following table presents the financial instruments carried at fair value as of June 30, 2009, by caption on the consolidated statement of financial position by the SFAS 157 valuation hierarchy defined above (in thousands):

<u>Assets</u>	Quoted Prices in Active Markets <u>Level 1</u>	Significant Other Observable <u>Level 2</u>	Significant Unobservable <u>Level 3</u>	Total Fair Value
Investments:				
Short-term investments	\$ 25,026	\$ -	\$ 807	\$ 25,833
Fixed income securities	23,882	-	112,486	136,368
Domestic equity securities	37,301	-	28,898	66,199
Foreign equity securities	14,478	-	44,866	59,344
Real assets	2,308	-	107,715	110,023
Marketable alternatives	-	-	65,782	65,782
Private equity partnerships	-	-	<u>153,003</u>	<u>153,003</u>
Investments	<u>\$102,995</u>	<u>\$-</u>	<u>\$513,557</u>	<u>\$616,552</u>
Contributions from external trusts	-	-	<u>7,783</u>	<u>7,783</u>
Total	<u>\$102,995</u>	<u>\$-</u>	<u>\$521,340</u>	<u>\$624,335</u>
 <u>Liabilities</u>				
Liability on interest rate swap agreements	\$ -	<u>\$ 50,684</u>	\$-	<u>\$ 50,684</u>
Total liabilities at fair value	<u>\$-</u>	<u>\$ 50,684</u>	<u>\$-</u>	<u>\$ 50,684</u>

Investments included in Level 3 primarily consists of Rensselaer's ownership in alternative investments (principally limited partnership interests in marketable alternatives, private equity, real estate, and other similar funds) The value of certain alternative investments represent the ownership interest in the net asset value (NAV) of the respective partnership; 32.8% of investments held by the partnerships consist of marketable securities and 67.2% are securities that do not have readily determinable fair values. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. Rensselaer regularly reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of these investments.

**Rensselaer Polytechnic Institute**  
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**For the Years Ended June 30, 2009 and June 30, 2008**

**Note H- Investments, (continued).**

Included in investments at June 30, 2009 and 2008 are investments held by others in the amount of \$46,888,000 and \$60,179,000, respectively. These investments are classified as Level 3 in the table above.

Interest rate swaps are valued using both observable and unobservable inputs, such as quotations received from the counterparty, dealers or brokers, whenever available and considered reliable. In instances where models are used, the value of the interest rate swap depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability and reliability of observable inputs. Such inputs include market prices for reference securities, yield curves, credit curves, measures of volatility, prepayment rates, assumptions for nonperformance risk, and correlations of such inputs. Certain of the interest rate swap arrangements have inputs which can generally be corroborated by market data and are therefore classified within level 2.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Rensselaer believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table is a rollforward of the consolidated statement of financial position amounts for financial instruments classified by Rensselaer within Level 3 of the fair value hierarchy defined above (in thousands):

	Significant Unobservable Inputs (Level 3)							Total
	Short Term Investments	Fixed Income	Domestic Equity	Foreign Equity	Real Assets	Marketable Alternatives	Private Equity Partnerships	
Fair value, July 1, 2008	\$ 1,039	\$ 102,223	\$ 39,668	\$ 92,629	\$ 108,232	\$ 142,364	\$ 148,455	\$ 634,610
Realized gains/(losses)	34	(218)	(554)	(966)	1,406	(4,114)	4,482	70
Unrealized gains/(losses)		(20,825)	(16,029)	(25,667)	(31,401)	(15,658)	(21,885)	(131,465)
Net purchases, sales, settlements	-266	6,823	(5,490)	(20,238)	29,478	(21,024)	24,126	13,409
Transfers in/out		24,483	11,303	(892)	-	(35,786)	(2,175)	(3,067)
Fair value, June 30, 2009	\$ 807	\$ 112,486	\$ 28,898	\$ 44,866	\$ 107,715	\$ 65,782	\$ 153,003	\$ 513,557
		Contributions from External remainder trusts						
Fair value, July 1, 2008	\$	9,374						
Realized gains/(losses)		-						
Unrealized gains/(losses)		(1,200)						
Net purchases, sales, settlements		(391)						
Fair value, June 30, 2009	\$	7,783						

All net realized and unrealized gain/(losses) in the table above are reflected in the accompanying consolidated statement of activities. Net unrealized gains/(losses) relate to those financial instruments held by Rensselaer at June 30, 2009.

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**Note I- Endowment**

Rensselaer's endowment consists of approximately 611 individual donor restricted endowment funds and 168 board-designated endowment funds for a variety of purposes plus the following where the assets have been designated for endowment: pledges receivables, split interest agreements, and other net assets. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. The net assets associated with endowment funds including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

Endowment and similar funds are invested under direction of the Board of Trustees to achieve maximum long-term total return with prudent concern for the preservation of investment capital. All investments of endowment and similar funds are recorded in the statement of financial position as long-term investments, including cash balances held by external investment managers. The fair value of endowment investments (separately invested and pooled) was \$589,048 and \$766,899 as of June 30, 2009 and June 30, 2008, respectively.

The Board of Trustees of Rensselaer determines the method to be used to appropriate endowment funds for expenditure. Calculations are performed for individual endowment funds at a rate of 5.0 percent of the rolling 16 quarter average market value on a unitized basis one year subsequent to the calculation. The corresponding calculated spending allocations are distributed in equal quarterly installments on the first day of each quarter from the current net total or accumulated net total investment returns for individual endowment funds. In establishing this policy, the Board considered the expected long term rate of return on its endowment.

During fiscal year 2009, Rensselaer adopted FASB Staff Position (FSP) FAS 117-1, "Endowment of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds." The FSP applies to not-for-profit organization with donor-restricted endowment funds and is effective for fiscal years ending after December 15, 2008. The information provided below regarding Rensselaer's interpretation of the relevant law and the composition of the endowment and similar funds has been included to comply with the disclosure requirements of FSP FAS 117-1.

The Board of Trustees of Rensselaer has interpreted New York State's Not-for-Profit Corporate Law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Rensselaer classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Unspent appropriations related to the donor restricted endowment fund are classified as temporarily restricted net assets until the amounts are expended by Rensselaer in a manner consistent with the donor's intent. The remaining portion of the donor-restricted endowment fund that is not classified as permanently or temporarily restricted net assets is classified as unrestricted net assets in accordance with New York State law.



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**Note I- Endowment, (continued)**

Rensselaer had the following endowment activities during the year ended June 30, 2009 delineated by net asset class and donor-restricted versus Board-designated funds:

Endowment net asset composition by type of fund as of June 30, 2009 (in thousands):

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net asset composition	\$ 238,776	\$ 12,499	\$ 244,633	\$ 495,908
Board-designated endowment funds	171,395	916	-	172,311
Less: Commitments for Rensselaer Plan Initiatives	<u>(138,739)</u>	<u>-</u>	<u>-</u>	<u>(138,739)</u>
Board Designated Endowment Funds at Net	<u>32,656</u>	<u>916</u>	<u>-</u>	<u>33,572</u>
Total endowment funds	<u>\$ 271,432</u>	<u>\$ 13,415</u>	<u>\$ 244,633</u>	<u>\$ 529,480</u>

Changes in endowment net assets for the year ended June 30, 2009 (in thousands):

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 485,208	\$ 28,839	\$ 235,705	\$ 749,752
Investment return:				
Investment Income	6,496	-	-	6,496
Net depreciation (realized and unrealized)	<u>(158,100)</u>	<u>(15,433)</u>	<u>(2,526)</u>	<u>(176,059)</u>
Total investment return	<u>(151,604)</u>	<u>(15,433)</u>	<u>(2,526)</u>	<u>(169,563)</u>
Gifts	1,534	-	10,189	11,723
Appropriation of endowment assets for expenditure	(32,826)	-	-	(32,826)
Commitments for Rensselaer Plan Initiatives	(30,900)	-	-	(30,900)
Donor redesignation	<u>20</u>	<u>9</u>	<u>1,265</u>	<u>1,294</u>
Endowment net assets, end of year	<u>\$ 271,432</u>	<u>\$ 13,415</u>	<u>\$ 244,633</u>	<u>\$ 529,480</u>

**Rensselaer Polytechnic Institute**  
**Notes to the Consolidated Financial Statements**  
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**Note I- Endowment, (continued)**

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowments Only)

Permanently restricted net assets (in thousands):

The portion of perpetual endowment funds that is required to be retained permanently by explicit donor stipulation:

Restricted for scholarship support	\$ 52,808
Restricted for fellowship support	19,954
Restricted for faculty support	55,474
Restricted for program support	53,475
Restricted for awards and prizes	2,662
Restricted for unrestricted institutional support	60,260
	<u>\$ 244,633</u>

The portion of permanent endowment funds subject to a time restriction (in thousands):

Restricted for scholarship support	\$ 6,847
Restricted for fellowship support	611
Restricted for faculty support	(45)
Restricted for program support	4,783
Restricted for awards and prizes	1,219
	<u>\$ 13,415</u>

Rensselaer had the following endowment activities during the year ended June 30, 2008 delineated by net asset class and donor-restricted versus Board-designated funds:

Endowment net asset composition by type of fund as of June 30, 2008 (in thousands):

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net asset composition	\$ 364,126	\$ 27,641	\$ 235,705	\$ 627,472
Board-designated endowment funds	228,921	1,198	-	230,119
Less: Commitments for Rensselaer Plan Initiatives	<u>(107,839)</u>	-	-	<u>(107,839)</u>
Board Designated Endowment Funds at Net	<u>121,082</u>	<u>1,198</u>	<u>-</u>	<u>122,280</u>
Total endowment funds	<u>\$ 485,208</u>	<u>\$ 28,839</u>	<u>\$ 235,705</u>	<u>\$ 749,752</u>

**Rensselaer Polytechnic Institute**  
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**Note I- Endowment, (continued)**

Changes in endowment net assets for the year ended June 30, 2008 (in thousands):

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 521,307	\$ 31,326	\$ 225,509	\$ 778,142
Investment return:				
Investment Income	10,203	-	-	10,203
Net depreciation (realized and unrealized)	<u>(16,033)</u>	<u>(2,495)</u>	<u>(1,223)</u>	<u>(19,751)</u>
Total investment return	(5,830)	(2,495)	(1,223)	(9,548)
Gifts	185	-	9,519	9,704
Appropriation of endowment assets for expenditure	(32,149)	-	-	(32,149)
Donor redesignation	<u>1,695</u>	<u>8</u>	<u>1,900</u>	<u>3,603</u>
Endowment net assets, end of year	<u>\$ 485,208</u>	<u>\$ 28,839</u>	<u>\$ 235,705</u>	<u>\$ 749,752</u>

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowments Only)

Permanently restricted net assets (in thousands):

The portion of perpetual endowment funds that is required to be retained permanently by explicit donor stipulation:

Restricted for scholarship support	\$ 60,609
Restricted for fellowship support	11,339
Restricted for faculty support	48,823
Restricted for program support	54,640
Restricted for awards and prizes	2,522
Restricted for unrestricted institutional support	<u>57,772</u>
	<u>\$ 235,705</u>

The portion of permanent endowment funds subject to a time restriction (in thousands):

Restricted for scholarship support	\$ 11,698
Restricted for fellowship support	1,240
Restricted for faculty support	2,461
Restricted for program support	11,180
Restricted for awards and prizes	2,260
Restricted for unrestricted institutional support	-
	<u>\$ 28,839</u>

**Rensselaer Polytechnic Institute**  
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**Note I- Endowment, (continued)**

**Endowment Funds with Deficits**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. Deficits of this nature reported in unrestricted net assets were \$8,393,000 and \$170,000 as of June 30, 2009 and 2008, respectively. These deficits resulted from unfavorable market fluctuations that occurred shortly after the investment of newly established endowments, and authorized appropriation that was deemed prudent.

**Return Objectives and Risk Parameters**

Rensselaer has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return against a blended index, based on the endowment's target allocation applied to the appropriate individual benchmarks. Rensselaer expects its endowment funds over time, to provide an average rate of return of approximately 8.0 percent annually. Actual returns in any given year may vary from this amount.

**Strategies Employed for Achieving Investment Objectives**

To achieve its long-term rate of return objectives, Rensselaer relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). Rensselaer targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

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**Note J- Land, Buildings, and Equipment**

Land, buildings, and equipment consist of the following at June 30 (in thousands):

	<u>2009</u>	<u>2008</u>
Land and improvements	\$ 27,404	\$ 20,946
Buildings	752,888	500,250
Equipment	223,346	212,589
Construction in progress	<u>87,115</u>	<u>237,271</u>
Total land, buildings & equipment	1,090,753	971,056
Less accumulated depreciation	<u>(347,397)</u>	<u>(319,850)</u>
	<u>\$ 743,356</u>	<u>\$651,206</u>

As of June 30, 2009, Rensselaer had \$22,309,656 of open commitments to contractors for construction on work being performed.

**Note K- Debt Outstanding**

The following table and footnotes illustrate Rensselaer's various debt obligations, all of which are repaid from the general operations of Rensselaer and the Center, as appropriate.

Outstanding bonds and notes payable of Rensselaer are comprised of the following (in thousands):

<i>Debt:</i>	Year of Final <u>Maturity</u>	Weighted Average Annual <u>Interest Rate</u>	June 30,	
			<u>2009</u>	<u>2008</u>
U.S. Department of Education Dormitory Bonds and 1988 Mortgage Loan	2018	3.0%	\$ 1,525	\$ 1,662
Rensselaer County IDA – Industrial Development Facility Issue: Series 1997A (1)	2022	Variable	8,625	8,987
Series 1999A and B (2)	2030	5.14%	29,104	33,512
Series 2006 (8)	2036	4.84%	63,384	63,420
Troy Industrial Development Authority Civic Facility Issue: Series 2002A (3)	2015	5.43%	16,225	16,320
Series 2002B-E (3)	2042	Variable	202,975	202,975
Series 2007 (10)	2037	5.00%	51,708	51,766
Series 2008 A and B (11)	2037	Variable	90,000	90,000
2004 Bank of America Term Loan (4)	2019	4.57%	24,325	26,183
2006 Bank of America Revolving Loan (6)	2011	Variable	35,000	35,000
2006 Bank of America Revolving Loan (7)	2011	Variable	13,000	13,000
2007 Bank of America Revolving Loan (9)	2012	Variable	41,400	41,400
2008 Bank of America Revolving Loan (12)	2013	Variable	9,956	10,000
2008 Bank of America Revolving Loan (13)	2013	Variable	38,300	17,400
<i>Student Loan Program Debt</i> DASNY 1992 CUEL	2009	6.80%	642	983
Rensselaer Technology Park Debt: 2005 Bank of America Term Loan (5)	2013	Variable	6,190	7,333
2009 M & T Bank Loan(14)	2015	5.0%	20,000	0
2009 Whiting Turner Agreement(15)	2015	Variable	<u>1,598</u>	
			<u>\$653,957</u>	<u>\$619,941</u>

# Rensselaer Polytechnic Institute

## Notes to the Consolidated Financial Statements

### For the Years Ended June 30, 2009 and June 30, 2008

#### Note K- Debt Outstanding, (continued)

Debt principal outstanding is reflected net of bond discount/premium where applicable in the amount of \$2,461,774 and \$2,595,000 at June 30, 2009 and 2008, respectively. Such costs are being amortized on the straight-line method over the term of the related indebtedness.

Long-term debt and notes payable are collateralized by certain physical properties with a carrying value of \$19,323,000 and \$17,564,000 at June 30, 2009 and 2008 respectively and by pledges of specified portions of tuition, fees and revenues from various facilities. At June 30, 2009 and 2008, Rensselaer had \$2,138,000 and \$77,106,000, respectively of assets held by trustees for construction, debt service and other project-related expenses. Certain of the long term debt and notes payable contain restrictive covenants including the maintenance of specified deposits with trustees.

#### Notes to Debt Outstanding

1. On March 12, 1997, Rensselaer entered into an agreement with the Rensselaer County Industrial Development Agency, providing for the issuance of \$13,240,000 in variable rate demand revenue bonds for the purpose of financing the renovation of three of Rensselaer's buildings and the acquisition of a new student record system. The bonds are subject to a remarketing agreement and bear a variable interest rate that resets weekly, but in no event may exceed 12% per annum. In the event that Rensselaer receives notice of any option tender on its variable-rate-bonds, or if the bonds become subject to mandatory tender, the purchase price of the bonds will be paid from the remarketing of such bonds. However, if the remarketing proceeds are insufficient, Rensselaer will have a general obligation to purchase the bonds tendered pending reissuance under its multimodal provisions.
2. On June 30, 1999, Rensselaer entered into an agreement with the Rensselaer County Industrial Development Agency, which provided for the issuance of \$41,110,000 in revenue bonds. Proceeds from the issue in the amount of \$24,196,000 were used for the construction and/or renovation of three buildings, issuance costs, and to legally defease Dormitory Authority Series 1991 Bonds. Interest rates on the bonds range from 4.125% to 5.00%.
3. On May 1, 2002, Rensselaer entered into an agreement with the Troy Industrial Development Authority, which provided for the issuance of \$218,875,000 in Series 2002 A-E revenue bonds, including \$202,975,000 in variable rate mode. The transaction also generated a \$1,125,000 premium on the Series 2002A bonds. Proceeds from the issue in the amount of \$203,150,771 were utilized for the construction costs of two buildings, related campus-wide infrastructure improvements, issuance costs and to legally defease Dormitory Authority Series 1993 Bonds. On May 11, 2006 the Series 2002E bonds in the amount of \$25,000,000 were remarketed and converted from variable to a 5-year put option, with interest during the period ending September 1, 2011 set at 4.05%. On May 2, 2008 Rensselaer changed the interest rate mode on Series 2002 B, C & D bonds from auction rate securities to variable rate demand bonds backed by three bank letters of credit, these letters of credit have expiration dates of May 2011. In the event that Rensselaer receives notice of any optional tender on its Series B,C or D variable-rate bonds, or if these bonds become subject to mandatory tender, the purchase price of the bonds will be paid from the remarketing of such bonds. However, if the remarketing proceeds are insufficient, Rensselaer will be obligated to purchase the bonds tendered and has secured a standby letters-of-credit for an amount up to an aggregate of \$178 million. These letters of credit expire on May, 2011 and if drawn, must be repaid upon expiration. As a result of extinguishment of debt a \$4,800,000 loss was recognized during fiscal year 2008. In fiscal year 2002, Rensselaer entered into an interest rate swap agreement, with a term of 35 years, on \$150,000,000 (notional) of the Series 2002 B-D bonds issued, in order to convert variable rate borrowings to a fixed rate liability. This swap effectively locks in a fixed rate liability of 5.0325%. In February 2006, Rensselaer entered into an amendment with the counterparty which, in effect, altered the fixed rate liability to 4.30% until June 2011, at which point it converts to 4.593%. The impact on the consolidated Statement of Activities in 2009 as it relates to the fair market value of the interest rate swap was \$10,286,000.
4. On March 4, 2004, Rensselaer entered into an agreement with Bank of America for a \$30,000,000 15-year unsecured term loan for the purpose of financing a portion of its pension obligations and to fund the costs of certain capital improvements. The note bears an interest rate of 4.57% for eight years, at which point it will convert to a floating rate based on the one month LIBOR plus 40 basis points. The loan agreement requires compliance with certain financial ratio covenants.

**Rensselaer Polytechnic Institute**  
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**Note K- Debt Outstanding, (continued)**

5. On December 31, 2005, Rensselaer entered into an agreement with Bank of America for a \$9,834,734 unsecured term loan for purposes of refinancing of Rensselaer Technology Park 1995 and 1998 term loans with Bank of America, as successor to Fleet Bank. The fully amortizing loan matures on December 31, 2013. The note bears interest at LIBOR plus one quarter of one percent. The loan agreement requires compliance with certain financial ratio covenants. In conjunction with this refinancing, on July 19, 2005 Rensselaer entered into a forward starting interest rate swap of \$9,835,000 (notional) with Bank of America beginning January 1, 2006, effectively paying a fixed rate of 5.82% for term of the swap, which is contiguous with the loan's term. The impact on the consolidated Statement of Activities in 2009 as it relates to the fair market value of the interest rate swap was \$172,295.
6. On April 14, 2006, Rensselaer entered into an agreement with Bank of America for a \$35,000,000 unsecured revolving debt facility, which matures on July 1, 2011. Rensselaer has the right to convert to a term loan with a maturity of 2021. The note bears interest at LIBOR plus .48 of one percent. The loan agreement requires compliance with certain financial loan covenants. In conjunction with this transaction, on March 20, 2006, Rensselaer entered into a forward starting interest rate swap of \$35,000,000 (notional) with Bank of America beginning January 1, 2007, effectively paying a fixed rate of 5.57% on the term loan. The maturity date of the swap is June 1, 2021. The impact on the consolidated Statement of Activities in 2009 as it relates to the fair market value of the interest rate swap was \$2,522,000.
7. On May 15, 2006, Rensselaer entered into an agreement with Bank of America for a \$10,000,000 unsecured revolving debt facility, which matures on July 1, 2011. Rensselaer has the right to convert to a term loan with a maturity of 2021. The loan has a revolving feature which permits additional draws up to a total of \$13,000,000 if completed prior to July 1, 2010. The note bears interest at LIBOR plus .48 of one percent. On June 15, 2006, Rensselaer completed a \$10,000,000 advance on this revolving loan. On April 13, 2007 Rensselaer advanced the remaining \$3,000,000 under this agreement bringing the total principal amount outstanding to \$13,000,000. The loan agreement requires compliance with certain financial loan covenants. In conjunction with this transaction, on March 20, 2006 Rensselaer entered into a forward starting interest rate swap of \$10,000,000 (notional) with Bank of America beginning January 1, 2007, effectively paying a fixed rate of 5.57% on the term loan. The maturity date of the swap is June 1, 2021. The impact on the consolidated Statement of Activities in 2009 as it relates to the fair market value of the interest rate swap was \$719,605.
8. On June 15, 2006, Rensselaer entered into an agreement with the Rensselaer County Industrial Development Agency, which provided for the issuance of \$62,380,000 in Series 2006 fixed rate revenue bonds. The transaction generated a \$1,616,000 premium. Proceeds from the issue in the amount of \$63,996,000 was utilized for the construction costs of one building, related campus-wide infrastructure improvements, and issuance costs. On June 7, 2007 Rensselaer entered into a swap transaction with Morgan Stanley, with a notional of \$62,380,000 and a maturity of March 1, 2036, effectively agreeing to pay SIFMA and receive 66.68% of 10 year LIBOR. This agreement was amended on January 11, 2008 to change the terms for the period of January 1, 2008 to March 1, 2011 so that Rensselaer received 68% of one Month LIBOR plus 90.25 bps and pays SIFMA. The impact on the consolidated Statement of Activities in 2009 as it relates to the fair market value of the interest rate swap was \$1,408,000.
9. On May 23, 2007, Rensselaer entered into an agreement with Bank of America for a \$41,400,000 unsecured revolving debt facility, which matures on May 22, 2012. Rensselaer has the right to convert to a term loan with a maturity of 2022. The note bears interest at LIBOR plus .43 of one percent. The loan agreement requires compliance with certain financial loan covenants. In conjunction with this transaction, on April 24, 2007, Rensselaer entered into a forward starting interest rate swap of \$41,400,000 (notional) with the Bank of America beginning April 1, 2008, effectively paying a fixed rate of 5.55% on the term loan. The maturity date of the swap is June 1, 2022. The impact on the consolidated Statement of Activities in 2009 as it relates to the fair market value of the interest rate swap was \$3,163,000.
10. On December 12, 2007, Rensselaer entered into an agreement with the City of Troy Industrial Development Agency, which provided for the issuance of \$50,000,000 in Series 2007 three year fixed rate put bonds. The transaction documents are multi modal and allow for a final bond maturity of 2037. The transaction generated a \$1,795,000 premium. Proceeds from the issue in the amount of \$51,795,000 were utilized for the construction costs of several buildings, related campus-wide infrastructure improvements and issuance costs.

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**Note K- Debt Outstanding, (continued)**

11. On January 24, 2008, Rensselaer entered into an agreement with the City of Troy Industrial Development Agency, which provided for the issuance of \$90,000,000 in Series 2008 A & B variable rate demand bonds. These bonds are credit enhanced with a bank letter of credit having a maturity of January 2011. In the event that Rensselaer receives notice of any optional tender on its Series A&B variable-rate bonds, or if these bonds become subject to mandatory tender, the purchase price of the bonds will be paid from the remarketing of such bonds. However, if the remarketing proceeds are insufficient, Rensselaer will be obligated to purchase the bonds tendered and has secured a standby letters-of-credit for an amount up to an aggregate of \$90 million. The letters of credit expire in January, 2011 and if drawn, must be repaid upon expiration. Proceeds from the issue in the amount of \$90,000,000 were utilized for the construction costs of several buildings, related campus-wide infrastructure improvements and issuance costs.
12. On May 9, 2008, Rensselaer entered into an agreement with Bank of America for a \$10,000,000 unsecured revolving debt facility, which matures on May 8, 2013. Rensselaer has the right to convert to a term loan with a maturity of 2028. The note bears interest at LIBOR plus .65 of one percent or Prime Rate less 1.75 of one percent. The loan agreement requires compliance with certain financial loan covenants.
13. On June 20, 2008, Rensselaer entered into an agreement with Bank of America for a \$38,300,000 unsecured revolving debt facility, which matures on June 19, 2013. Rensselaer has the right to convert to a term loan with a maturity of 2028. The note bears interest at LIBOR plus .65 of one percent or Prime Rate less 1.75 of one percent. The loan agreement requires compliance with certain financial loan covenants.
14. On April 20, 2009 Rensselaer entered into an agreement with M&T Bank for a \$20,000,000 unsecured term loan facility, amortization of which commences April 1, 2010 with a final maturity of April 1, 2015. The note bears interest at a fixed rate of 5.00%. The loan agreement requires compliance with certain financial loan covenants.
15. On April 24, 2009 Rensselaer entered into an agreement with The Whiting-Turner Contracting Company for a loan not to exceed \$15,000,000, amortization of which commences January 1, 2011 with a final maturity of December 31, 2015. The note bears interest at Prime plus 2.00% adjusted monthly until January 1, 2011, after which the interest rate will become fixed at the then current Prime plus 2.00% rate until the note matures.

As of June 30, 2009, Rensselaer had a standby letter of credit with Bank of America totaling \$1,509,000 for workers compensation insurance security purposes. In addition, Rensselaer had standby letters of credit with Bank of America totaling \$1,440,000 and \$250,000 for general liability insurance and professional liability insurance security purposes, respectively, related to current construction projects on the Troy, New York campus. There were no draws against these letters of credit during the fiscal year. Rensselaer also has a mortgage loan guarantee in place for one loan made by HSBC Bank USA in 1996 to finance construction and renovation costs for an on-campus fraternity residential facility. The balance of the mortgage loan, which totaled \$600,000 at inception, was \$290,000 on June 30, 2009.

The Institute has an unsecured line of credit with Bank of America valued at \$30,000,000, with interest calculated on the outstanding balance at a daily rate of term LIBOR plus .30%. There was an outstanding balance of \$6,010,000 on the line of credit at June 30, 2009. The Institute has an unsecured line of credit with TD Bank valued at \$20,000,000, with interest calculated on the outstanding balance at a daily rate of term LIBOR plus 1.50%. There was an outstanding balance of \$10,000,000 on the line of credit at June 30, 2009. Both of these lines of credit are subject to an annual renewal at November 30<sup>th</sup>.

Principal payments due on all long-term debt as of June 30, 2009 for each of the next five fiscal years are (in thousands):

<u>Year</u>	<u>Amount</u>
2010	\$ 10,131
2011	16,273
2012	19,205
2013	22,026
2014	21,512
Thereafter	564,810



**Rensselaer Polytechnic Institute**  
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**Note K- Debt Outstanding, (continued)**

Rensselaer has letter of credit agreements with various financial institutions to purchase certain of the Institute's variable rate demand bonds in the event they cannot be remarketed. In the event that the bonds covered by these agreements were not remarketed and the agreements were not otherwise renewed, the principal amounts due in the principal debt service payments table (including variable rate demand bonds not subject to a liquidity facility) would be \$18,756, \$284,068, \$19,205, \$22,026, \$21,512 and \$288,390.

The fair value of Rensselaer's long-term debt is estimated based upon the amount of future cash flows, discounted using Rensselaer's current borrowing rates for similar debt instruments of comparable maturities. The fair value of long-term debt was approximately \$577,135,000 and \$544,117,000 at June 30, 2009 and 2008, respectively.

Rensselaer was in violation of a certain financial covenant as of December 31, 2008, related to certain of its debt arrangements, for which it obtained waivers and amended the covenant.

Interest capitalized at June 30, 2009 and 2008 was \$497,000 and \$403,000, respectively.

**Note L- Retirement Plans**

*Defined Benefit Plans*

The following table sets forth Rensselaer's defined benefit and postretirement plans' change in projected benefit obligation, change in plan assets, funded status (the postretirement plans are unfunded) and amounts recognized in Rensselaer's balance sheet at June 30, 2009 and 2008. The defined benefit plan calculations were based upon data as of or projected to June 30, 2009 and 2008. Postretirement benefit plan calculations were based upon data as of July 1, 2008 and 2007. Rensselaer's funding policy is based upon and is in compliance with ERISA requirements.

<u>Change in benefit obligation (in thousands):</u>	<u>Defined Benefit</u>		<u>Postretirement</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Benefit obligation at beginning of year	\$(263,025)	\$(265,896)	\$(12,446)	\$(13,690)
Service cost	(3,669)	(4,494)	(588)	(645)
Interest cost	(17,765)	(16,099)	(852)	(767)
Plan participants' contributions	(232)	(243)	(610)	(817)
Amendments/Curtailments/Special Termination	0	0	0	500
Settlement of Dental & Life Insurance Plans	0	0	82	0
Actuarial (gain)/loss	(265)	7,239	(499)	1,609
Benefits paid	15,157	15,910	1,358	1,364
Administrative expenses paid	789	558	0	0
<b>Benefit obligation at end of year</b>	<b>\$(269,010)</b>	<b>\$(263,025)</b>	<b>\$(13,555)</b>	<b>\$(12,446)</b>

The accumulated benefit obligation for the defined benefit pension plan was \$264,003,000 and \$258,855,000 as of June 30, 2009 and 2008, respectively.

<u>Change in plan assets (in thousands):</u>	<u>Defined Benefit</u>		<u>Postretirement</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Fair value of plan assets at beginning of year	\$219,555	\$220,798	\$ 0	\$ 0
Actual return on plan assets	(37,215)	(5,818)	0	0
Employer contribution	13,315	20,800	748	547
Plan participants' contribution	232	243	610	817
Benefits paid	(15,157)	(15,910)	(1,358)	(1,364)
Administrative expenses paid	(789)	(558)	0	0
<b>Fair value of plan assets at end of year</b>	<b>\$179,941</b>	<b>\$219,555</b>	<b>\$ 0</b>	<b>\$ (0)</b>

**Rensselaer Polytechnic Institute**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended June 30, 2009 and June 30, 2008**

**Note L- Retirement Plans, (continued)**

<u>Funded Status and amount recognized in the Statement of financial position (in thousands):</u>	<u>Defined Benefit</u>		<u>Postretirement</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Liability	\$ (89,069)	\$ (43,470)	\$ (13,555)	\$ (12,446)

<u>Amounts recognized in unrestricted net Assets (in thousands):</u>	<u>Defined Benefit</u>		<u>Postretirement</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Net prior service cost/(credit)	\$ 225	\$ 285	\$ 1,550	\$ 1,692
Net actuarial (gain)/loss	133,834	81,199	456	984
Unrestricted net assets	\$ (134,059)	\$ (81,484)	\$ 2,006	\$ 2,676

<u>Other changes in plan assets and benefit obligations recognized in unrestricted net assets (in thousands):</u>	<u>Defined Benefit</u>		<u>Postretirement</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
New prior service cost/(credit)	\$ -	\$ -	\$ -	\$ (500)
New net actuarial loss/(gain)	55,889	15,119	499	(1,609)
Settlement of Dental & Life Insurance Plans	-	-	(82)	-
Amortization of:				
Prior service cost/(credit)	(60)	(73)	142	126
Actuarial loss/(gain)	(5,390)	(7,180)	9	5
Settlement Charge	-	-	102	-
Total recognized in non operating (income)/expense	\$ 50,439	\$ 7,866	\$ 670	\$ (1,978)

<u>Net periodic benefit cost is included in the Following components (in thousands):</u>	<u>Defined Benefit</u>		<u>Postretirement</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Service cost	\$ 3,669	\$ 4,494	\$ 588	\$ 645
Interest cost	17,765	16,099	852	767
Expected return on plan assets	(18,410)	(16,540)	0	0
Amortization of:				
Prior service cost/(credit)	60	73	(142)	(126)
Actuarial loss/(gain)	5,390	7,180	(9)	(5)
Net periodic benefit cost/(income)	8,474	11,306	1,289	1,281
Settlement Charge	0	0	(102)	0
Net periodic benefit cost/(income)	\$ 8,474	\$ 11,306	\$ 1,187	\$ 1,281

In the aggregate, Rensselaer's Defined Benefit Plan will be invested to ensure solvency of the plan over its remaining life and to meet pension obligations as required. A secondary goal is to earn the highest net rate of return within prudent risk limits to ensure the achievement of the primary goal and adherence to the following Rensselaer guiding investment principles:

Capital preservation is a fundamental goal of the Institute's funds, therefore strategies and approaches emphasizing absolute positive returns are favored.

Risk is defined as loss of capital, not deviation from a benchmark, and a Sharpe ratio measurement is preferred to an Information ratio measurement.

The Plan's expected rate of return is the result of periodic asset allocation studies reviewed and approved by the Investment Committee.

**Rensselaer Polytechnic Institute**  
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**Note L- Retirement Plans, (continued)**

Weighted average asset allocation at June 30, 2009 and 2008, by asset category are as follows:

Asset Category	<u>Defined Benefit</u>	
	<u>2009</u>	<u>2008</u>
Domestic Equity	10.8%	17.7%
International Equity	10.8%	12.5%
Private Equity	5.9%	3.0%
Marketable Alternatives	18.9%	24.7%
Real Assets	16.2%	11.5%
Fixed income	26.7%	18.1%
Cash	<u>10.7%</u>	<u>12.5%</u>
	<u>100.0%</u>	<u>100.0%</u>

The Plan contains features that allow participants to have a percentage of their benefits fluctuate based on the return of a S&P 500 index account. Rensselaer maintains assets in that index fund to hedge those liabilities that are not part of the above asset allocation.

Rensselaer's expected contributions for fiscal year ending June 30, 2010 are \$18,600,000 and \$794,000 for the defined pension plan and postretirement plan, respectively.

The amounts in unrestricted net assets expected to be recognized as components of the net periodic benefit cost in fiscal year ending June 30, 2010 are \$6,342,000 and (\$147,000) for the defined pension plan and postretirement plan, respectively.

The following are the expected future benefit payments (in thousands):

Fiscal Year Ending in:	<u>Defined Benefit</u>	<u>Postretirement</u>
2010	\$18,356	\$ 794
2011	18,744	880
2012	19,430	911
2013	20,050	970
2014	20,584	1,041
2015-2019	111,374	5,984

The weighted average rates forming the basis of net periodic benefit cost and amounts recognized in Rensselaer's statement of financial position at June 30 were:

<i>Benefit obligations</i>	<u>Defined Benefit</u>		<u>Postretirement</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Discount rate	6.75%	7.00%	7.00%	7.00%
Expected return on plan assets	8.25%	8.25%	-	-
Rate of compensation increase	4.00%	4.00%	-	-
<i>Net periodic benefit cost</i>				
Discount rate	7.00%	6.25%	6.25%	6.25%
Expected return on plan assets	8.25%	8.25%	-	-
Rate of compensation increase	4.00%	4.00%	-	-

**Rensselaer Polytechnic Institute**  
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**Note L- Retirement Plans, (continued)**

For measurement purposes, a 8.0 percent, 7.5 percent and 11.0 percent annual rate of increase in the per capita cost of covered pre-65 medical, post-65 medical benefits and prescription drug benefits, respectively, was assumed for fiscal year 2010. These rates were assumed to decrease gradually to 5 percent for fiscal year 2016 and remain at that level thereafter. A plan amendment established a maximum of \$85 per month for retired employees who retire after normal retirement age. Once Rensselaer's share of medical premiums for Medicare eligible retirees reaches the \$85 per month maximum, the health care cost trend rate will no longer have any effect except for grandfathered participants not subject to the cap and pre-65 coverage.

Assumed health care cost trend rates have a significant effect on the amounts reported for the postretirement benefit. A one-percentage point change in the health care cost trend rates would have the following effects (in thousands):

	1-Percentage Point Increase	1-Percentage Point Decrease
Effect on total of service and interest cost components	\$ 89	(\$ 76)
Effect on postretirement benefit obligation	\$627	(\$548)

Based upon service at retirement date, Rensselaer pays for a portion of health care benefits for retired employees. In addition, Rensselaer Hartford Graduate Center, Inc. pays for dental and life insurance benefits for employees who had retired prior to July 1, 1997.

*Defined Contribution Plan*

Rensselaer and the Center also have non-contributory Defined Contribution Plans open to full-time employees who have met minimum service requirements. Contributions to these plans (8% of employee salary) were \$7,020,000 and \$6,515,000 in fiscal 2009 and 2008, respectively.

In addition, the Center has its own pension plan in association with Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF). The TIAA-CREF is a money purchase plan so there is no past service cost. The Center's contributions to this plan (8% of employee salary) were \$383,000 and \$327,000 in fiscal 2009 and 2008, respectively.

**Note M- Commitments and Contingences**

In the normal course of business, Rensselaer has been named a defendant in various claims. Although there can be no assurance as to the eventual outcome of litigation in which Rensselaer has been named, in the opinion of management such litigation will not, in the aggregate, have a material adverse effect on Rensselaer's financial position.

**Leases**

At June 30, 2009, minimum annual commitments under operating leases for real property and equipment are as follows (in thousands) :

	<u>Operating Leases</u>	<u>Capital Leases</u>
2010	\$ 1,332	\$ 1,366
2011	1,376	1,368
2012	1,410	1,359
2013	1,057	1,368
2014	990	1,383
Thereafter	<u>19,547</u>	<u>36,054</u>
Total	<u>\$25,712</u>	42,898
Less: amount representing interest		<u>(22,952)</u>
Present value of minimum lease payments		<u>\$19,946</u>

**Rensselaer Polytechnic Institute**  
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**Note N- Asset Retirement Obligations**

In March 2005, the FASB issued FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* (FIN 47), which was issued to provide clarity surrounding the recognition of conditional asset retirement obligations, as referred to in FASB Statement No. 143, *Accounting for Asset Retirement Obligations*. FIN 47 defines a conditional asset retirement obligation as a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. Based on the guidance in FIN 47, management of Rensselaer determined that sufficient information was available to reasonably estimate the fair value of known retirement obligations.

FIN 47 requires the initial application of the interpretation to be recognized as a cumulative effect of a change in an accounting principle. Specifically, FIN 47 requires the recognition, a cumulative effect, the cumulative accretion and accumulated depreciation for the period from the date the liability was incurred to the date of adoption of this interpretation. The liability incurred date is presumed to be the date upon which the legal requirement to perform the asset retirement activity was enacted.

Upon adoption of FIN 47 on June 30, 2006, Rensselaer recognized asset retirement obligations in the amount of \$6,935,000 related to asbestos contamination in buildings, decommissioning expenses and tank disposals, included in other liabilities.

The following is a summary of the asset retirement obligation:

<b>Change in Asset Retirement Obligation</b> (in thousands):	<u>2009</u>	<u>2008</u>
Asset retirement obligation at beginning of year	\$7,650	\$7,314
Accretion expense	379	336
Less: disposals	<u>(8)</u>	<u>-</u>
Asset retirement obligation at end of year	<u>\$8,021</u>	<u>\$7,650</u>

**Note O-Subsequent Events**

Rensselaer has performed an evaluation of subsequent events through September 23, 2009, the date on which the consolidated financial statements were issued.